

Paul Proffitt – Proponent Testimony
Senate Bill 21
Senate Judiciary Committee
February 20, 2019

Good morning Chairman Eklund, Vice-Chair Manning, Ranking Member Thomas, and Committee Members. Thank you for the opportunity to give testimony in support of Senate Bill 21 as introduced, which will allow Ohio corporations to organize as Benefit Corporations, also known as “B-Corps.”

My name is Paul Proffitt, and I am the Founder and Chair of SunDown Group, an Ohio non-profit organization that connects entrepreneurs and small businesses to the resources they need in order to take the next step in developing their businesses. We have chapters throughout Ohio in Columbus, Mansfield, Akron, Canton, and Youngstown and host business pitch events, educational programs, maintain a free and open ask an expert network, and have programs and connections to help raise capital for early stage ventures. We also have approximately 3,250 investors, mentors, talented workers, and entrepreneurs that make up the community we have actively built and communicate with on a regular basis to foster entrepreneurship throughout Ohio and the region.

So, what is a B-Corp and why does Ohio need to recognize this type of organization?

A B-Corp is a for-profit entity that also does a social good. A B-Corp pays taxes, creates jobs, and distributes earnings back to its shareholders, much like any other corporation, but with a mandate to significantly reinvest back into the community it serves, support the environment, or some other identified social benefit. Current statute allows for shareholders to seek litigation when a for-profit corporation does not make shareholder value one of its top priorities. A B-Corp designation recognizes that the social mission is on or above the level of creating shareholder value. This slight differentiation shields corporate officers and boards from litigation from shareholders as the business executes on its social mandate. In a March 13th article from Yale’s Center for Business and Environment¹, notes that long term corporate prosperity also requires a positive contribution to society. Investors are reacting positively to this sentiment by the number of new investment and hedge funds being created; plus the success of B-Corps like Patagonia and Ben & Jerry’s illustrate that you can still do good and return profits to investors.

Also, Thirty-Four States recognize B-Corps². Illinois, Indiana, Kentucky, West Virginia, Virginia, and Pennsylvania all recognize B-Corps and are attracting significant amounts of external investment. Since 2015, over \$140 million³ has been invested in B-Corps across the United States and investment funds are looking for more companies to make investments. Many of these investment funds require the company to be organized as a B-Corp in order to take on investment. Estimates are hard to come by as many of these funds are private, but an informal survey of a few key members of The Angel Capital Association, indicated that there could be more than \$500 million in investment specifically targeting B-Corps. As it stands today, Ohio is cut off from this kind of investment.

¹ <https://cbey.yale.edu/our-stories/the-value-of-b-corps-what-investors-need-to-know>

² <http://benefitcorp.net/policymakers/state-by-state-status>

³ https://www.crunchbase.com/search/funding_rounds/754b499b13b30fb79c2022a47c57c701ce62ae3b

In order to keep Ohio competitive, attract more investment, steward a business friendly environment, and also help communities and social causes, I encourage the committee to approve Senate Bill 21 as introduced and move it to a vote as soon as possible.

In addition to my testimony today, I have attached statements from other organizations and startup companies that are in favor of Senate Bill 21. I would like to have these additional statements of support entered into the record.

Thank you Mr. Chairman and I am happy to answer any questions from you and other members of the committee.

Statements of Support



socialventurescbus.com

SocialVentures is a 501(c)(3)
charitable organization.
EIN 47-1396726

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Manager of Social Ventures
Fund, LLC—an investment
fund for accredited investors.

June 6, 2018

To Whom It May Concern:

I am writing in support of SB 205 to create the Benefit Corporation form of corporate structure in Ohio.

SocialVentures is a Columbus-based organization that exists to advocate for, develop, and fund businesses that solve social problems in our community. The number of these businesses in Central Ohio alone has quintupled in the past several years.

These businesses are a new and exciting business form that is dedicated to solving the same problems as the nonprofit sector but they do it through the operations of their businesses rather than through charitable gifts. We call what they do social impact, which can take the form of giving away half of their sales (buy one, give one), donating to charity 50% or more of their profits, or by undertaking the training, employment, and social support of individuals who have not yet integrated into the mainstream economy. In Central Ohio these folks are recovering addicts, ex-offenders, survivors of human trafficking, chronically homeless, or disabled.

The generosity of these companies can come at the expense of lower returns to shareholders or investors. If they become public companies, they may find it very difficult to preserve their social impact when a shareholder demands higher returns on his shares. The Benefit Corporation structure protects the company and its commitment to extraordinary public service from such shareholders.

Just recently a very successful local social enterprise was compelled by investors to become a C-corp and will move to New York City. With Ohio Benefit Corporation protection, this scenario may have been different.

I urge the passage of Benefit Corporation protection for our rapidly expanding social enterprise sector.

Respectfully yours,



Allen J. Proctor
SocialVentures



Albert Kretz
Advanced BioSensors-Ohio, LLC
6849 Bellflower Ct.
OH 44060
info@advancedbiosensors.com
440-231-1039

Company Focus: Develop, manufacture, and markets a next-generation Continuous Glucose Monitor to diagnose, monitor, and treat millions of people and thousands of companion animals, living with Diabetes.

I support the passage of Senate Bill 21 because:

- Allows me to organize my business to better reflect its mission and operations
- Allows me to attract outside sources of investment from funds that target B-Corps
- Allows me access to specific programs that support B-Corps
- Allows me to attract more skilled workers in my industry
- Allows me to create a competitive advantage in my industry
- Allows me to think about growth and how to scale-up my business
- Allows me to market my business in a way that would resonate more with my target market
- Allows me to reduce my exposure as a director of the organization



Lou Graziani
Graziani Multimedia
296 Hampton Road
Lexington, OH 44904
lou@grazianimultimedia.com
419-989-0498

Company Focus: 1) Marketing director for a company developing environmental technology, operator of a marketing firm with focus on social impact, and a serial entrepreneur with side projects that this legislation might benefit.

I support the passage of Senate Bill 21 because:

- Allows me to market my business in a way that would resonate more with my target market



Ambrose Moses
7888 Danbridge Way
Westerville, OH 43082
ambrosemoses@gmail.com
614-219-9377

Company Focus: Business and legal consulting

I support the passage of Senate Bill 21 because:

- Allows me to organize my business to better reflect its mission and operations
- Allows me to attract outside sources of investment from funds that target B-Corps
- Allows me access to specific programs that support B-Corps
- Allows me to market my business in a way that would resonate more with my target market
- Allows me to reduce my exposure as a director of the organization



Linda Hale
Akron Summit County Public Library
60 S High St
Akron, OH 44326
lhale@akronlibrary.org
330-802-0839

Company Focus: Public/non-profit. Microbusiness Specialist. Guide and direct businesses to appropriate resources.

I support the passage of Senate Bill 21 because:

- I work in the business support ecosystem and although B-Corp status does not directly impact my job, passage of this legislation would have positive impact on the community that I serve.



Jim Griggy
Ohio Small Business Development Center
526 S Main St. STE 813
Akron, OH 44311
jgriggy@akronsbdc.org
330-375-2111

Company Focus: Advising small businesses

I support the passage of Senate Bill 21 because:

- I am an SBDC business advisor. While the B-Corp does not affect my organization, I counsel a number of businesses that would be better served under this type of structure.

Tony Reynolds
A Kickin Crowd
934 Dianthus Ct.
Reynoldsburg, OH 43068
tony@akickincrowd.com
614-367-0315

Company Focus: A KickIn Crowd is a crowdfunding portal currently primarily used as a teaching tool at Reynoldsburg eStem Academy.

I support the passage of Senate Bill 21 because:

- Allows me to reduce my exposure as a director of the organization



Beth Hampton
Primerica
55 S Miller Rd
Akron, OH 44223
montessorirules@gmail.com
330-284-1248

Company Focus: Financial Services

I support the passage of Senate Bill 21 because:

- ...my business does focus on helping the community. It would be nice to encourage more like minded businesses [that support the community].



Stephanie Shields
Blue Flame Leather
938 Caniff Place
Columbus, OH 43221
blueflameleather@gmail.com
614-962-5715

Company Focus: I design make and sell leather and textile goods and hats, at shows and festivals and online; I also teach these crafts.

I support the passage of Senate Bill 21 because:

- Allows me to think about growth and how to scale-up my business
- Allows me to market my business in a way that would resonate more with my target market
- Allows me to reduce my exposure as a director of the organization



Darion Burks
Solar Screen
Cleveland, OH 44118
solarsunscreen@gmail.com
216-815-5259

Company Focus: Mobile sunscreen distribution company that provides on the spot sun protection to those that need it right then and now. Our mission is to fight against the increasing skin cancer rates across the country.

I support the passage of Senate Bill 21 because:

- Allows me to organize my business to better reflect its mission and operations
- Allows me to attract outside sources of investment from funds that target B-Corps
- Allows me access to specific programs that support B-Corps
- Allows me to attract more skilled workers in my industry
- Allows me to create a competitive advantage in my industry
- Allows me to think about growth and how to scale-up my business
- Allows me to market my business in a way that would resonate more with my target market



Jeri Vespoli
CMS
PO Box 2825
North Canton, OH 44720
jeri.vespoli_cms@zoho.com
440-546-1676

Company Focus: Marketing & Communications

I support the passage of Senate Bill 21 because:

- Allows me to organize my business to better reflect its mission and operations
- Allows me to attract outside sources of investment from funds that target B-Corps
- Allows me access to specific programs that support B-Corps
- Allows me to create a competitive advantage in my industry
- Allows me to market my business in a way that would resonate more with my target market

June 17, 2018

Derek DeHart
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Judiciary Committee of The Ohio Senate
The Ohio Statehouse
1 Capitol Square
Columbus, Ohio 43215

Dear Members of the Judiciary of The Ohio Senate,

I'm writing to you in support of Senate Bill 205 of the 132nd General Assembly, "Allow a corporation to become a benefit corporation."

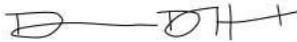
As a social entrepreneur and the co-founder of a 501(c)(3) nonprofit organization called DACA Time, Inc., I have observed a clear need in the State of Ohio for the "benefit corporation" classification. While successful social enterprises have arisen within the State of Ohio as both for-profit and not-for-profit legal entities, each comes with its own set of challenges for a new organization. The former runs the risk of diluting a social enterprise's mission with a fiduciary duty to maximize shareholder value while the latter generally precludes the kind of investment altogether required for a small organization to operationalize and scale effectively.

A recognized "benefit corporation" that both protects an organization's mission while still allowing the potential for increasing shareholder value would provide another, vital option for innovators within our communities today who seek to generate social impact while remaining sustainable and successful social businesses. The growing public need for this option is evidenced by private organizations taking up the mantle of certifying for-profit entities in Ohio that operate as "benefit corporations" in the absence of a legal classification, such as B-Corp certification and a pilot program for social impact certification through the Better Business Bureau. As effective as these certifications may be for the accountability of organizations' social impact models, they do nothing to protect Directors of the organizations from the notion that the organization should exist exclusively for the sake of maximizing shareholder value.

While I am confident that DACA Time, Inc. made the correct decision in incorporating as a nonprofit in Ohio, having the "benefit corporation" option would have been a valuable alternative to consider.

Please don't hesitate to contact me with questions or if I can provide any additional insight into the value of this legislation.

Sincerely,



Derek DeHart
Co-founder and Director of DACA Time, Inc.